

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Annual Compliance Report, 2014

Docket No. ACR2014

**UTAH HISPANIC CHAMBER OF COMMERCE
COMMENTS ON ANNUAL COMPLIANCE REPORT**

January 28, 2015

The Utah Hispanic Chamber of Commerce is a network of businesses and professional associations and entrepreneurs working together to expand economic development opportunities in our state.

Our organization finds the stabilization of the U.S. Postal Service to be among to the most pressing matters that we face. For many of our members, the services to send and receive mail are a critical component of their businesses. The service provided by the Postal Service is an element of communications that strengthens our member businesses, both large and small. Our hope is that the Postal Service will focus on its core services by providing efficient and reliable letter delivery.

In recent years the Postal Service has suffered financially and is jeopardizing its ability to adequately fulfill its core mission. With \$30.5 billion in losses since 2011, and having maxed out its \$15 billion credit limit with the Treasury in 2012, the concerns are clear. Now, the agency is witnessing a decline in performance as delivery times are expected to grow and customer satisfaction is diminishing.

Within its Annual Compliance Report (ACR2014), the Postal Service cites numerous areas where the agency is losing money. Specific products include, but are not limited to, standard mail flats, standard parcels, and domestic and non-domestic periodicals, all of which account for over 11 billion units delivered by the Postal Service. Yet, for these products collectively, the costs of providing these services has exceeded revenue by over \$1 billion.

Concurrent with its report, the Postal Service announced its intent to implement rate increases of slightly less than 2% for numerous products. Curiously, these rate hikes will apply to its monopoly products, which, in certain cases, are consistently profitable. As an illustration of this point, Total First Class Mail – for which rates will increase 1.949% - has been found to cover 221% of its costs.

Given such high profitability it is highly doubtful that rate increases would be appropriate for such monopoly products. A more prudent approach for the Postal Service would be for the agency to instead implement more substantial rate increases for the aforementioned products that are losing money, and further, to question the viability of providing these services altogether. Under the proposed measures and current accounting methods, it is truly difficult to disprove that the Postal Service is leveraging its gains on monopoly services to sustain non-core service offerings that are not covering their costs.

Furthermore, the Postal Service's report fails to provide details on test ventures that have lost money or have failed to prove financial sustainability in previous PRC analyses. New undertakings include an expansion of the Customized Delivery program, which, as this Commission found, lacks proven benefits and financial data. In addition, the Metro Post program is also expected to expand despite a sluggish performance its initial 5 month trial period in which it generated less than \$1 in revenue for every \$10 that it spent.

In light of the facts regarding the new test ventures and the information provided in the Postal Service's compliance report, there is sufficient evidence to suggest that diversions from non-core services have both negatively affected the agency's ability to achieve financial stability, and also fulfill its primary services that are consistent with its charter.

In the interests of businesses, consumers, and taxpayers across the country, the Postal Service must enact operational modifications for the purposes of becoming a financially self-sustaining organization and adequately achieving its mission to reliably deliver anywhere in the county a reasonable rate.

We respectfully call on this Commission to scrutinize the improper accounting practices and operational deficiencies within the Postal Service. Moreover, we ask that you publish your findings so that your investigations can be subject to a public assessment and review.

We know that the Commission takes such matters seriously, and we look forward to working with you to build greater understanding of what is happening and work to prevent further deterioration of the Postal Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jorge Dennis', with a stylized flourish at the end.

JORGE DENNIS
Board Member
Utah Hispanic Chamber of Commerce

Dated: January 28, 2015